

FDIC State Profile

Spring 2005

Wyoming

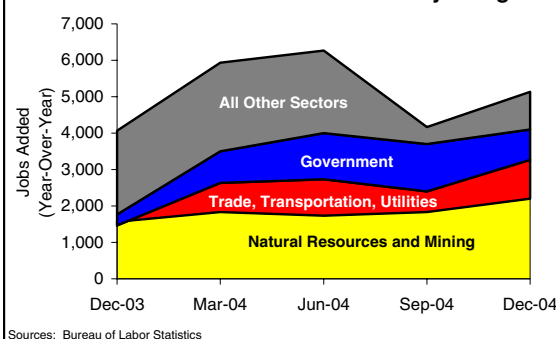
Wyoming reported a strong 2 percent job growth in fourth quarter 2004.

- High energy prices drove growth in Wyoming's natural resources and mining sector, which created 2,200 new jobs in 2004, the highest of any major sector in the state (See Chart 1). Natural resources and mining accounts for less than 10 percent of the state's labor force, but it created a disproportionately high 43 percent of new jobs in the past 12 months. Going forward, the state's overall employment growth likely will moderate if energy prices decline and job growth in this sector weakens.
- Strong prices and increased mining activity benefited the state in terms of higher severance taxes, which provide funds for local government and other public projects. As a result, the government sector, which employs nearly one in four Wyoming workers, continued to report job gains.
- The state's construction and professional and business services sectors struggled as neither reported year-over-year job gains.

Home price increases continued but could face pressure.

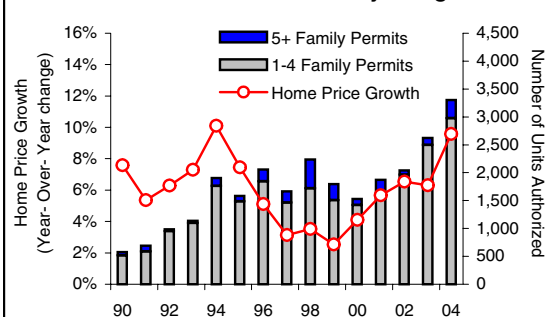
- In 2004, Wyoming experienced a significant increase in housing permit issuance. In fact, permit issuance statewide hit a 15-year high, led by gains in permits for new single family homes (See Chart 2).
- However, the state's housing market could face price pressures as the permitted properties are built because of anticipated outmigration. *Economy.com* forecasted that the state as a whole and its two major metropolitan areas, *Casper* and *Cheyenne*, will lose residents through 2007.
- Fourth quarter 2004 home price gains remained relatively solid (11 percent over fourth quarter 2003), but some counties exhibited signs of potential oversupply. *Albany* and *Teton* counties, where permitting was especially strong, were among the four counties in Wyoming with the lowest rates of home price appreciation.
- Among Wyoming-based institutions, 1-4 family mortgage portfolios grew 10 percent year-over-year on a median

Chart 1: The Natural Resources and Mining Sector Continued to Lead Job Growth in Wyoming



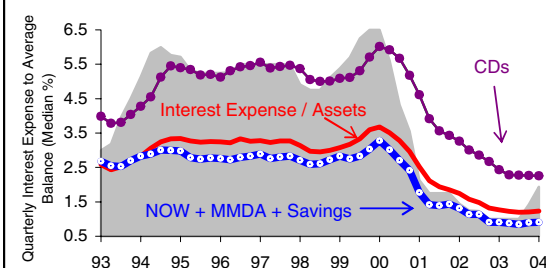
Sources: Bureau of Labor Statistics

Chart 2: Housing Permit Issuance Accompanied Home Price Growth in Wyoming



Source: Census Bureau, Office of Federal Housing Enterprise Oversight

Chart 3: Funding Cost Increases in Wyoming Were Mild in Relation to Federal Funds Rate Hikes



Note: Includes Call Report filers only. NOW is negotiable order of withdrawal; MMDA is money market deposit account; CD is certificate of deposit. Gray shaded area denotes average target Federal Funds rate for the quarter.
Sources: FDIC; Federal Reserve

basis. Home equity lines of credit contributed to the trend, increasing at a median annual rate of 49 percent.

- Low interest rates and mortgage loan growth likely contributed to year-over-year improvement in the fourth quarter median past-due 1-4 family loan ratio, which declined from 1.21 percent to 0.88 percent. However, mortgage delinquency trends were markedly different among the six institutions based in the Cheyenne metropolitan area. Cheyenne-based institutions reported a past-due mortgage ratio of 1.24 percent, roughly twice the level of one year earlier.

The state's agriculture sector also is not immune to risk.

- Prices received for cattle and calves, which represent a large share of Wyoming's farm receipts, remained near record levels at year-end. However, ranchers faced smaller cattle inventories as of January 1, 2005. Furthermore, ranchers face the possibility of the Canadian border being reopened to cattle imports. USDA forecasted that cattle prices may drop in 2005 if the Canadian beef ban is lifted.
- **Platte, Goshen, Carbon, and Fremont** counties had the highest cattle inventories and may be affected most by lower prices.
- The state's insured institutions reported a median concentration of agricultural loans to Tier 1 capital of 68 percent in the fourth quarter, down from year-earlier levels because of sluggish loan growth in the sector. The 18 Wyoming-based banks with agricultural loan concentrations exceeding 100 percent of Tier 1 capital reported stable earnings and improving credit quality through fourth quarter 2004, but trends could reverse with cattle price declines or crop subsidy cuts.¹

Earnings weakened slightly despite wider margins.

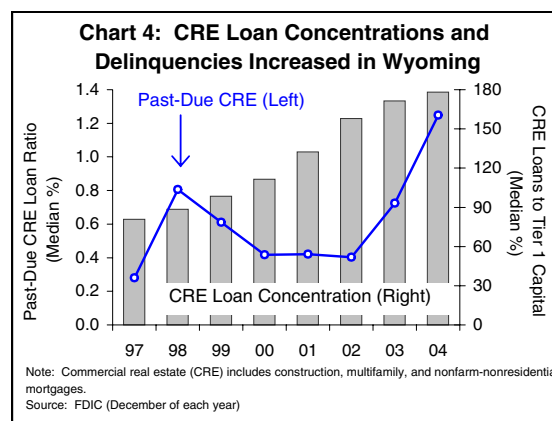
- The median year-to-date pre-tax return on assets ratio decreased from 1.59 to 1.47 percent among Wyoming-based institutions despite improvements in net interest margins and overhead expense burdens during the year. Weaker noninterest income-to-average asset ratios and lower gains on the sale of securities weighed on earnings. Although a similar proportion of banks recognized securities gains in 2003 and 2004, the contribution to earnings was less pronounced in 2004. Given the historical relationship between bonds and interest rates, recent rate hikes may further limit gains-taking opportunities in 2005.
- In late 2004, quarterly interest expense ratios among Wyoming-based banks increased modestly in tandem with rising short-term interest rates (See Chart 3). Favorably,

quarterly interest income-to-average asset ratios increased by a greater magnitude during the period, contributing to improved net interest income performance. Rising asset yields reflected both changes in interest rates and possibly shifts in the median loan-to-asset ratio, which increased from 60 percent at year-end 2003 to 64 percent at year-end 2004.

- An above-average reliance on low and no-cost checking and savings accounts may soften the effect of rising interest rates on interest expense ratios relative to other states. For instance, NOW, MMDA, and savings accounts funded 41 percent of Wyoming bank balance sheets on a median basis, compared with 33 percent nationwide.² These sources of funding have traditionally been less sensitive to short-term interest rate hikes than certificates of deposit.

Overall loan quality improved, but commercial real estate (CRE)³ loan delinquencies increased.

- The fourth quarter median past-due loan ratio improved year-over-year to 1.73 percent, but remained elevated compared with other states. With the exception of CRE, past-due loan ratios across all major loan categories improved. The median past-due CRE loan ratio of 1.25 percent ranked second highest among all the states and increased from 0.72 percent one year earlier (See Chart 4). Past-due CRE loans tended to be highest among insured institutions based in rural areas.
- Delinquencies in this category bear watching as CRE loan-to-Tier 1 capital ratios have increased steadily among Wyoming-based institutions.



¹Agricultural loans include farm real estate mortgages and agricultural operating lines.

²NOW is negotiable order of withdrawal (an interest-bearing checking account with restrictions); MMDA is money market deposit account (an interest-bearing savings vehicle with limited check-writing privileges).

³CRE loans include construction, multifamily, and nonfarm-nonresidential mortgages.

Wyoming at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Total Nonfarm (share of trailing four quarter employment in parentheses)	2.0%	1.6%	0.5%	2.7%	2.2%
Manufacturing (4%)	1.4%	0.3%	-3.7%	-7.4%	2.5%
Other (non-manufacturing) Goods-Producing (15%)	3.2%	5.3%	-6.4%	13.1%	1.9%
Private Service-Producing (56%)	2.1%	1.3%	1.9%	1.3%	2.2%
Government (25%)	1.3%	0.5%	2.5%	1.5%	2.5%
Unemployment Rate (% of labor force)	3.9	4.3	4.4	4.0	3.9

Other Indicators	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Personal Income	N/A	7.0%	1.3%	5.7%	7.9%
Single-Family Home Permits	29.5%	4.3%	46.5%	-3.2%	-9.7%
Multifamily Building Permits	62.7%	9.8%	-39.6%	225.8%	-64.4%
Existing Home Sales	16.3%	36.9%	-13.3%	0.0%	15.4%
Home Price Index	11.0%	7.2%	6.3%	5.6%	5.6%
Bankruptcy Filings per 1000 people (quarterly level)	N/A	1.01	1.12	1.07	1.06

BANKING TRENDS

General Information	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Institutions (#)	44	46	50	49	50
Total Assets (in millions)	5,688	5,561	7,435	7,383	7,876
New Institutions (# < 3 years)	1	1	1	1	1
Subchapter S Institutions	20	21	24	18	17

Asset Quality	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.73	2.00	1.60	1.79	1.68
ALLL/Total Loans (median %)	1.18	1.20	1.28	1.38	1.34
ALLL/Noncurrent Loans (median multiple)	1.46	1.47	2.29	2.39	2.57
Net Loan Losses / Total Loans (median %)	0.06	0.07	0.05	0.06	0.06

Capital / Earnings	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Tier 1 Leverage (median %)	8.90	8.61	8.35	8.13	8.84
Return on Assets (median %)	1.25	1.32	1.48	1.33	1.32
Pretax Return on Assets (median %)	1.47	1.59	1.84	1.83	1.86
Net Interest Margin (median %)	4.34	4.22	4.54	4.43	4.67
Yield on Earning Assets (median %)	5.78	5.74	6.53	7.82	8.37
Cost of Funding Earning Assets (median %)	1.30	1.52	2.16	3.38	3.79
Provisions to Avg. Assets (median %)	0.12	0.11	0.13	0.12	0.11
Noninterest Income to Avg. Assets (median %)	0.49	0.59	0.54	0.60	0.62
Overhead to Avg. Assets (median %)	2.80	2.90	2.95	2.89	2.98

Liquidity / Sensitivity	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Loans to Assets (median %)	64.0	59.9	61.0	60.4	60.6
Noncore Funding to Assets (median %)	18.1	16.5	15.7	18.0	18.1
Long-term Assets to Assets (median %, call filers)	14.5	18.0	15.0	16.3	13.4
Brokered Deposits (number of institutions)	15	13	6	3	4
Brokered Deposits to Assets (median % for those above)	1.8	2.0	2.4	4.7	1.6

Loan Concentrations (median % of Tier 1 Capital)	Q4-04	Q4-03	Q4-02	Q4-01	Q4-00
Commercial and Industrial	131.4	133.4	130.4	135.3	120.3
Commercial Real Estate	178.1	171.5	158.0	132.3	111.5
Construction & Development	34.6	32.2	24.3	18.6	14.4
Multifamily Residential Real Estate	3.6	2.6	4.0	2.0	2.3
Nonresidential Real Estate	123.2	113.4	95.0	81.1	87.6
Residential Real Estate	105.7	103.2	116.0	119.6	117.4
Consumer	53.4	56.7	63.4	73.8	71.8
Agriculture	83.4	98.2	103.5	125.9	112.7

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Casper, WY	7	934	< \$250 mil.	38 (86.4%)
Cheyenne, WY	14	916	\$250 mil. to \$1 bil.	6 (13.6%)
			\$1 bil. to \$10 bil.	0 (0%)
			> \$10 bil.	0 (0%)